

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
Charlotte Division**



In re:

TSI Holdings, LLC,

CASE NO. 17-30132 (LEAD)

WSC Holdings, LLC,

CASE NO. 17-30338

SouthPark Partners, LLC and

CASE NO. 17-30339

Sharon Road Properties, LLC.

CASE NO. 17-30363

DEBTORS.

**CHAPTER 7
Jointly Administered**

**AFFIDAVIT OF EDWARD P. BOWERS REGARDING
SHARON ROAD PROPERTIES, LLC**

Edward P. Bowers, being duly sworn, deposes and says:

1. I am a Certified Public Accountant, Certified Insolvency and Restructuring Advisory, Diplomate of the American Board of Forensic Accountants, and Certified in Financial Forensics experienced in rendering accounting services in bankruptcy cases. I am licensed as a CPA by the State of North Carolina and am a member of the firm of Middleswarth, Bowers & Co., LLP. I am over 18 years of age and under no disability.

2. Joseph W. Grier, III is the duly appointed trustee ("Trustee") for the above-referenced debtors (the "Debtors") in these jointly-administered bankruptcy cases.

3. On March 27, 2017, the Court entered an *Order Granting Application to Employ Professional* (DE 18) authorizing my employment by the Trustee to provide accounting and other services to the Trustee in these cases.

4. As accountant to the Trustee, I am familiar with the facts as set forth in this affidavit. I make this affidavit based upon my own personal knowledge of the facts set forth herein and as my free and voluntary act.

5. The Trustee requested that I review in detail the books and records, including tax and accounting records and render an opinion as to whether Sharon Road Properties, LLC ("SRP") was operated as a partnership invested in income producing real estate as opposed to a Ponzi scheme.

6. Documents and information I have reviewed includes, but is not limited to, the following: Articles of Organization of SRP as well as of Bissell Porter Siskey, LLC, the Operating Agreements of SRP and BPS, the K-1s issued by BPS to SRP for years 1999-2016, 1065 U.S. Partnership Tax Returns of SRP for years 1999-2000 and 2002-2016 including K-1s issued by SRP to its members for each year, electronic financial records as recorded in QuickBooks, records regarding historical purchases and sales of membership interests in SRP since the inception of the entity in 1999 and related documentation (collectively, the "Records").

7. Based on the Records I have learned the following:

a. SRP was formed as a North Carolina limited liability company on January 6, 1999 by Richard Siskey ("Siskey") with Siskey being the initial member of SRP;

b. The primary purpose for the formation of SRP was to invest in a project (the "Project") to construct and lease an office building at 4521 Sharon Road, Charlotte, North Carolina (the "Office Building") with cash flow to be derived from leasing the Office Building;

c. BPS was formed on February 10, 1999 by Robert Norris and was formed to invest, construct and operate the Office Building;

d. The Bissell Companies contributed 2.98 acres of land valued at \$4,286,565 to the Project for a 67.45% interest in BPS;

e. At the inception of SRP, SRP committed to contributing \$2,143,282.00 to BPS for a 32.55% ownership interest of BPS by SRP. The funds were to be used, along with loans, to construct the Office Building and adjacent parking deck;

f. Siskey contributed \$200,000.00 and thereafter an additional \$150,000.00 for a 34% interest in SRP during 1999-2000;

g. Based upon financial projections created by BPS, Siskey solicited investors during 1999 based upon a \$100,000 investment buying a 3% interest in SRP;

h. Siskey raised \$2,350,000 in capital by selling membership interests to 31 investors, which collectively, along with Siskey, owned 100% of the interests in SRP;

i. During 1999-2000 the Office Building and parking deck were built. The completed Office Building has approximately 73,440 square feet of rentable space;

j. At all times after completion of the Office Building, the operations and finances of the Office Building have been handled by BPS (not Siskey or SRP). BPS has handled rentals, collection of rent, maintenance of the Office Building, and all other acts to operate the Office Building;

k. BPS has issued SRP a Schedule K-1 1065 Tax form each year reflecting its 32.55% partner's share of current year income, deductions, credits and other items of tax significance.

8. In determining whether the activity of SRP has been accounted for in a generally accepted manner, I reviewed the K-1s issued by BPS to SRP each year along with a sampling of the SRP Members' ownership interests/capital accounts to ascertain whether rents and expenses have been allocated materially correct among the members of SRP over the years. I also reviewed the historical purchases and sales of membership interests in SRP over the years. In that review I have learned the following:

a. In 1999 each 1% interest in SRP was sold at the price of \$33,333.33 consistently; some original Members remain Members today. Some original Members have sold their interests to third parties. Siskey has at times purchased Members' interests individually and has sold portions of his interests to new Members. During 2016, Siskey personally sold a total of 14.55% of SRP to eight individuals for a total of \$1,069,000 as detailed on the attached Exhibit A. It appears that he sold each 1% interest in SRP during 2016 for the price of approximately \$73,467;

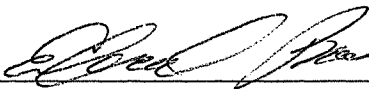
b. At the time of the bankruptcy filing 38 Members owned interests of SRP including Siskey (who personally, as of the end of 2016, retained a 21.38% interest in SRP). I have confirmed that since the completion of the offering in 1999 there has never been more than 100% ownership of SRP;

c. The 1065 Partnership Tax Returns of SRP along with Schedule K-1s issued by SRP over the years to Members reflect that total rental income of SRP was equal to the rental income reflected on the BPS K-1 issued to SRP each year; further that income was in split up among members of SRP based upon the Members' profit/loss interest;

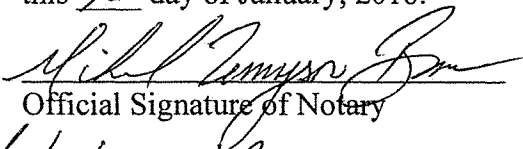
d. Per review of financial records of SRP, actual disbursements to SRP Members each year were materially correct based upon total income to SRP and allocation to members per their profit/loss interest with the exception of 2016 where there was a deviation – Siskey received \$23,340.31 less than his profit/loss interest and Andrew Peterson, James Williams, Mainstar FBO William Van Williams, James Overturf, John Kelly, and William and Carol Lowe received collectively \$23,340.31 more than their collective profit/loss interest – a schedule of these payments is reflected on Exhibit A. This over/under payment should be addressed upon liquidation and distribution of SRP assets in bankruptcy;

9. My opinion based upon the Records is as follows: 1) SRP operated as a real estate investment partnership and was not operated as a Ponzi Scheme; 2) other than with regard to the interests sold to Members during 2016 by Siskey from his personal holdings, all disbursements were in accordance to the Members profit/loss percentage; and 3) it would be appropriate to wind-down and close the partnership based upon each Members profit/loss percentage interest.

10. I have read the contents of this Affidavit and know the same to be true and accurate of my own personal knowledge, except for those matters stated upon information and belief, and as to such matters I believe them to be true and accurate.


Edward P. Bowers, CPA

Sworn to and subscribed before me
this 16 day of January, 2018.


Official Signature of Notary

Michael Harrison Bowers Notary Public
Notary's Printed Name

County of Boston

My commission expires: 12-16-19

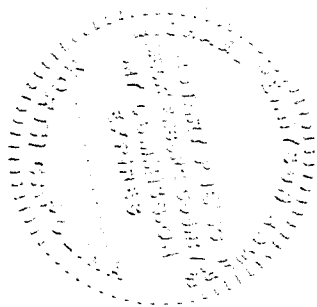


EXHIBIT A
Sharon Road Properties, LLC Change of Ownership During 2016

In 2016 Rick Siskey (“Siskey”) sold 14.54% of his personally owned interests in SRP as follows:

<u>Owner</u>	<u>Ownership Percentage</u>	<u>Amount Paid</u>	
Barbara Sinclair	1.77%	\$130,000	(\$73,466.67/1% interest)
James Sinclair	1.55%	\$114,000	(\$73,466.67/1% interest)
Andrew Peterson	3.06%	\$225,000	(\$73,466.65/1% interest)
James Williams	.68%	\$50,000	(\$73,466.64/1% interest)
William Williams	.68%	\$50,000	(\$73,466.64/1% interest)
James Overturf	3.40%	\$250,000	(\$73,466.75/1% interest)
John “Kris” Kelly	1.36%	\$100,000	(\$73,466.75/1% interest)
Will & Carol Lowe	<u>2.04%</u>	<u>\$150,000</u>	(\$73,466.68/1% interest)
Total	14.54%	\$1,069,000	(the reduction in interests Siskey owned personally and consideration he received personally; at end of 2016 Siskey personally owned 21.38% of SRP)

During 2016 payment of profit/loss flow-through was as follows for the 2016 purchasers:

Owner	Ownership Percentage	Amount Paid	Pro-Rata Allowed	Under/Over- Payment
R. Siskey	21.380112%	\$ 2,315.82	\$25,656.13	(\$23,340.31)
B. Sinclair	1.769510%	\$ 2,123.42	\$ 2,123.42	\$ 0.00
J. Sinclair	1.551724%	\$ 1,862.06	\$ 1,862.06	\$ 0.00
A. Peterson	3.062614%	\$23,500.00	\$ 3,675.14	\$19,824.86
J Williams	0.680581%	\$ 3,000.00	\$ 816.70	\$ 2,183.30
W Williams	0.680581%	\$ 3,000.00	\$ 816.70	\$ 2,183.30
J Overturf	3.402904%	\$15,000.00	\$ 4,083.48	\$10,916.52
K Kelly	1.361162%	\$ 2,000.00	\$ 1,633.39	\$ 366.61
W Lowe	<u>2.041742%</u>	<u>\$ 3,000.00</u>	<u>\$ 2,450.09</u>	<u>\$ 549.91</u>
	35.930930%	\$55,801.30	\$43,117.12	\$12,684.18